

investment objective is to maximize total return by generating current income from debt investments and realizing capital appreciation from equity-related investments. The Company's investments are managed by an investment committee ("Investment Committee"). The Company has a six-member board of directors ("Board") of which four members are not interested persons of the Company within the meaning of section 2(a)(19) of the Act ("Independent Directors").

2. MSMF is organized as a limited partnership that operates as an SBIC, and is excluded from the definition of investment company by section 3(c)(7) of the Act. MSMF is a wholly-owned subsidiary of the Company. MSMF has the same investment objective and strategies as the Company. Main Street Mezzanine Management, LLC is the general partner of MSMF and a wholly-owned subsidiary of the Company. The Investment Adviser, a wholly-owned subsidiary of the Company, acts as MSMF's manager and investment adviser.

3. MSC is a limited partnership that operates as an SBIC, and is excluded from the definition of investment company by section 3(c)(7) of the Act. MSC has the same investment objective and strategies as the Company and MSMF. The general partner of MSC is Main Street Capital II GP, LLC ("MSIIGP"). Certain individuals who comprise the management of the Company are also members of MSIIGP. Since its inception MSC has, and it will continue to have, the same investment objective and strategies as MSMF and the Company. As a result, prior to the Company's election to be regulated as a BDC, MSC and MSMF, as a general practice, invested jointly in portfolio companies (the "Existing Co-Investments"). As of December 31, 2007, MSC had debt and equity investments in 17 portfolio companies with an aggregate fair market value of \$67 million. In addition, MSC had \$40 million of outstanding indebtedness guaranteed by the Small Business Administration, which had a weighted average annualized interest cost of 6.4% (exclusive of deferred financing costs) as of September 30, 2007. MSMF is also invested in 13 of the 17 portfolio companies in which MSC is invested.²

purpose of making investments in securities described in sections 55(a)(1) through 55(a)(3) of the Act and makes available significant managerial assistance with respect to the issuers of such securities.

² The one time that MSMF and MSC did not co-invest is during a period when MSMF was fully invested, excluding a reasonable cash cushion.

The Investment Adviser manages the investment activities of MSC.

4. The Investment Adviser is a wholly owned subsidiary of the Company and is exempt from registration under the Investment Advisers Act of 1940. The management of the Investment Adviser is comprised of the same individuals who comprise the Investment Committee of the Company. The Investment Adviser may in the future advise other entities that are affiliated persons of the Company as defined in sections 2(a)(3)(C) and (D) of the Act (the "Future Co-Investment Affiliates," and together with MSMF, MSC and the Company, the "Co-Investment Affiliates").³ Applicants request relief permitting the Co-Investment Affiliates to co-invest in portfolio companies (the "Co-Investment Program" and each investment, a "Co-Investment Transaction"). Under the Co-Investment Program, co-investment between the Company, MSMF and MSC would be the norm, rather than the exception. In selecting investments for the Company, the Investment Committee will consider only the investment objective, investment policies, investment position, capital available for investment, and other pertinent factors applicable to the Company. Under the Co-Investment Program, each co-investment would be allocated among the Company and MSMF, on the one hand, and MSC, on the other hand, based upon the relative total capital of each group (total capital being equal to raised equity plus available debt). These relative allocation percentages ("Relative Allocation Percentages") would be approved each quarter or, as necessary or appropriate, between quarters by both the full Board and the required majority (within the meaning of Section 57(o)) (the "Required Majority").⁴ Because MSMF and MSC are subject to SBIC regulation while the Company is not, some deviation from the Relative Allocation Percentages may be necessary (the "SBIC Exceptions"). For example, if the Investment Committee has selected an investment for the Company and that investment does not qualify under SBIC regulations,

³ Sections 2(a)(3)(C) and 2(a)(3)(D) define an "affiliated person" of another person as: (C) Any person directly or indirectly controlling, controlled by, or under common control with, such other person; (D) any officer, director, partner, copartner, or employee of such other person.

⁴ The term "Required Majority," when used with respect to the approval of a proposed transaction, plan, or arrangement, means both a majority of a BDC's directors or general partners who have no financial interest in such transaction, plan, or arrangement and a majority of such directors or general partners who are not interested persons of such company.

only the Company would pursue the investment. The Co-Investment Program as a whole has been approved by both the full Board and the Required Majority. The Relative Allocation Percentages will be approved by both the full Board and the Required Majority prior to the implementation of the Co-Investment Program, and any deviations from the Relative Allocation Percentages for any investment, by any of the Company, MSMF, or MSC, except for the SBIC Exception, would require prior approval by both the full Board and the Required Majority.

Applicants' Legal Analysis

1. Section 57(a)(4) of the Act prohibits certain affiliated persons of a BDC from participating in a joint transaction with the BDC in contravention of rules as prescribed by the Commission. In addition, under section 57(b)(2) of the Act, any person who is directly or indirectly controlling, controlled by or under common control with a BDC is subject to section 57(a)(4). Because certain individuals who are the members of MSIIGP also comprise the Investment Committee and are the principals of the Investment Adviser, and collectively own approximately 18% of the outstanding voting securities of the Company, the Company, MSMF and MSC are affiliated persons within the meaning of section 2(a)(3) by reason of common control. Thus, MSC could be deemed to be a person related to the Company in a manner described by section 57(b) and therefore, is prohibited by section 57(a)(4) and rule 17d-1 under the Act from participating in the Co-Investment Program. Section 57(i) of the Act provides that, until the Commission prescribes rules under section 57(a)(4), the Commission's rules under section 17(d) of the Act applicable to registered closed-end investment companies will be deemed to apply. Because the Commission has not adopted any rules under section 57(a)(4), rule 17d-1 applies.

2. Section 17(d) of the Act and rule 17d-1 under the Act prohibit affiliated persons of a registered investment company from participating in joint transactions with the company unless the Commission has granted an order permitting such transactions. Rule 17d-1, as made applicable to BDCs by section 57(i), prohibits any person who is related to a BDC in a manner described in section 57(b), as modified by rule 57b-1, acting as principal, from participating in, or affecting any transaction in connection with, any joint enterprise or other joint arrangement or profit-sharing plan in which the BDC is a participant, absent